

Lubin, 30 April 2019

Supplement to Appendix 1 of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2018 - Corporate Governance Statement

Audit Committee

With respect to the Members of the Audit Committee serving in the function in the period from 1 January 2018 to 5 July 2018, the following persons met the criteria for independence as defined by art. 129 sec. 3 of the Act on statutory auditors, audit firms and public oversight: Agnieszka Winnik-Kalemba, Wojciech Myślecki, Dominik Hunek, Marek Pietrzak, Jarosław Witkowski, Janusz Kowalski and Michał Czarnik.

Michał Czarnik, Marek Pietrzak and Wojciech Myślecki possess qualifications in accounting or audits of financial statements.

Bogusław Szarek, Leszek Hajdacki, Wojciech Myślecki, Marek Pietrzak and Michał Czarnik possess knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates.

With respect to the Members of the Audit Committee serving in the function from 23 July 2018 to 31 December 2018, Agnieszka Winnik-Kalemba, Marek Pietrzak, Bartosz Piechota and Jarosław Janas met the criteria for independence as defined by art. 129 sec. 3 of the Act on statutory auditors, audit firms and public oversight.

The qualifications of members of the committee with respect to accounting or audits of financial statements, as well as their knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates, were derived from the education, experience and professional practice of the members of the committee. Following is detailed information on the qualifications held with respect to accounting or audits of financial statements, as well as the knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates, in respect of those persons which, as at the date of this document, remained Members of the Supervisory Board and the Audit Committee.

Marek Pietrzak was indicated as a member possessing qualifications in the field of accounting or audits of financial statements, based on his education (among others the title of legal counsel and Executive Master of Business Administration), experience and professional practice (among others the oversight and management of commercial law companies).

Bogusław Szarek was indicated as a member possessing knowledge and skills in the sector in which KGHM Polska Miedź S.A. operates derived from his many years of employment by KGHM Polska Miedź S.A. as well as being a member of the Supervisory Board of KGHM Polska Miedź S.A. since 2012.

In 2018 there were 13 meetings of the Audit Committee.

Audit firm which audits the financial statements

The audit firm which audits the financial statements of the Company provided the Company with acceptable non-audit services. The Audit Committee in each case conducted an assessment of the independence of the audit firm and expressed consent to the providing of these services. In one case, the Audit Committee did not express its consent to the providing of non-audit services by an entity related to the audit firm, as it asserted that the engagement of this entity in the providing of services involving the verification of non-financial data in the integrated report for 2017 was not essential to achieve the goal of the service in question, and in this regard another entity could be engaged.

The Company implemented a policy for the selection of the audit firm (hereafter: selection Policy) and a policy for the providing of services by the audit firm conducting audits, by entities related with the audit firm, as well as by members of the network of the audit firm, of acceptable non-audit services (hereafter: services Policy).

The main assumptions of the selection Policy are:

- a maximum, unbroken period of providing auditing services by a given audit firm amounting to 5 years and a subsequent grace period of at least 4 years;
- the transparency, accuracy and honesty of all procedures involving the selection of the audit firm;
- equal opportunities for all audit firms meeting the Company's requirements;
- the appropriate substantive preparation and due diligence of persons selected by the Company to carry out the selection Policy; and
- the documentation of selection procedures conducted and the evaluation of bids in a manner ensuring the transparency of the actions conducted.

The main assumptions of the services Policy are:

- restricting the scope of acceptable non-audit services commissioned from the audit firm or any entity related to it; maximum combined remuneration for the providing of such services is restricted to 70% of the average annual

remuneration paid during the last three financial years due to the providing of statutory audit services;

- the need to review on a case-by-case basis the advisability and necessity of purchasing non-auditing services from the audit firm or from any entity related to it;
- the active participation of the Audit Committee in the process of assessing the risks to and security of the independence of the audit firm in providing acceptable non-audit services; and
- signing contracts and providing services, as well as changes in the scope of services or remuneration, which are possible only after the requisite consent expressed by the Audit Committee.

Recommendations regarding the selection of the audit firm conducting audits met the existing conditions and were prepared following procedures organised by the Company for the selection, meeting existing criteria.

Policy of diversity applied to the administrative, management and supervisory bodies of the issuer

KGHM Polska Miedź S.A. applies best practice in promoting diversity amongst its employees. As a global company operating on global markets, standards regarding employees and labour relations are applied in compliance with existing local laws, as well as with those set forth by international institutions. Existing regulations and policies take into consideration the well-being of employees and mutual relationships, based on best practice, regardless of the jurisdiction in which KGHM Polska Miedź S.A. operates.

KGHM Polska Miedź S.A. creates an environment and workplace free of discrimination, and therefore discrimination in any form is not tolerated, especially in terms of gender, race, age, descent, religion, handicap, world view, sexual orientation, social status, marital status, disability, political party and trade union membership and the form of employment.

KGHM Polska Miedź S.A. manages diversity in an effort to create an organisational culture based on mutual respect, equal treatment, access to developmental possibilities and the utilisation of employee potential. This approach to diversity is defined in the „Declaration of Diversity of KGHM Polska Miedź S.A.”.

In addition, the process of recruitment in KGHM Polska Miedź S.A. is conducted in full compliance with the principle of diversity as well as with the principle of equal access to employment. Every candidate which meets the specified criteria for a given recruitment process is treated equally. The participants in this process comply with the ban on

discrimination. They attempt to ensure a rational degree of diversity when selecting the composition of employees whilst maintaining the primacy of knowledge, professional competence and social skills.

The management of diversity also involves the members of the Supervisory Board and Management Board of KGHM Polska Miedź S.A. Management and supervisory staff include persons diversified in terms of gender, age and experience:

Structure of diversity by gender as at 31 December 2018	No. of women		No. of men	
Supervisory Board of KGHM Polska Miedź S.A.	1		9	
Management Board of KGHM Polska Miedź S.A.	1		4	

Structure of diversity by age as at 31 December 2018	<40	40-50	51-60	>60
Supervisory Board of KGHM Polska Miedź S.A.	2	4	3	1
Management Board of KGHM Polska Miedź S.A.	1	3	1	

Years employed in KGHM Polska Miedź S.A. as at 31 December 2018	<5	5-10	11-20	>20
Supervisory Board of KGHM Polska Miedź S.A.	7	1		2
Management Board of KGHM Polska Miedź S.A.	4		1	